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Glenn M. Hackbarth, J.D., Chairman
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May 6, 2003

Thomas Scully, Administrator
Centers for Medicare & Medicaid Services
Department of Health and Human Services
Attention CMS-1472-P
Room 443-G
Hubert H. Humphrey Building
200 Independence Avenue, SW
Washington DC 20201

Re: File code CMS-1472-P

Dear Mr. Scully:

The Medicare Payment Advisory Commission (MedPAC) welcomes the opportunity to comment on the Centers for Medicare & Medicaid Services (CMS) proposed rule entitled *Medicare Program; Prospective Payment System for Long-Term Care Hospitals; Proposed Annual Payment Rate Updates and Policy Changes; Proposed Rule*, 68 Fed. Reg. 11234 (March 7, 2003). We appreciate your staff's careful work on this prospective payment system, particularly given the competing demands on the agency. We have three comments.

First, the Commission notes the rapid growth of long-term care hospitals (LTCHs) and the consequent rapid growth in Medicare spending. LTCHs more than doubled (105 v. 287) from 1993 to 2003. Medicare spending for care furnished in these facilities almost quintupled from \$398 million in 1993 to an estimated \$1.9 billion in 2001. In the last year alone—from January 2002 through January 2003—Medicare certified 21 new LTCHs. This growth in facilities, largely driven by the increase in for-profit facilities, is one factor that suggests Medicare payments for these facilities may be more than adequate. CMS estimates that Medicare spending for LTCHs will be nearly \$2.7 billion in another five years.

Second, the uneven geographic distribution of these entities suggests that similar Medicare patients are served in acute care hospitals or skilled nursing facilities instead of LTCHs. This raises the possibility that at least some of these patients can be cared for by other, perhaps less expensive providers.

Third, MedPAC believes there are still unanswered questions regarding LTCHs:

- Did the data used to create the prospective payment system overstate providers costs?
- Are the patients in LTCHs significantly different than patients who get care from other providers (e.g., rehabilitation facilities, psychiatric facilities, or skilled nursing facilities)?
- Are the services provided by LTCHs significantly different from other providers? and
- What is the role of LTCHs within hospitals?

MedPAC will be exploring these issues and urges CMS to undertake its own analysis of these issues as well. We believe this issue raises significant questions for Medicare's post-acute care services.

Sincerely,

Glenn M. Hackbarth, J.D.
Chair

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